IN THE CLAIMS

1. (previously amended) A method of compensatory ratio hedging, comprising:

hedging an amount of a bond by a swap wherein said amount of said bond hedged by said swap varies during the life of said swap to change similarly said swap mark-to-market value to said bond mark-to-market value by varying the ratio of said bond being said hedged to said swap in each predetermined period of time to compensate for differences in said swap mark-to-market value and said bond mark-to-market value.

2. (original) The method of claim 1 wherein an interest rate change has a similar dollar impact on said swap mark-to-market value and said bond mark-to-market value.

3. (original) The method of claim 1 wherein maturity of said swap and said bond are closely matched.

4. (original) The method of claim 1 wherein a lesser said amount of said bond is said hedged by said swap when said bond maturity is longer.

5. (original) The method of claim 1 wherein said ratio of said bond being said hedged to said swap varies to maintain similar amounts of dollar value volatility as the maturity ratio of said bond to said swap changes.

6. (original) The method of claim 1 wherein said method of compensatory ratio hedging is computer-implemented.

7. (original) A computer-readable medium having computer-executable instructions for performing the steps recited in claim 1.

8. (original) A computer programmed to execute compensatory ratio hedging, the computer having the program performing the steps recited in claim 1.

9 - 20 (Withdrawn)